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Top Secret 219

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NATIONAL INTELLIGENCE DAILY CABLE

Monday 3 April 1978

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NATIONAL SECURITY INFORMATION

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National Intelligence Daily Cable for Monday, 3 April 1978

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The NID Cable is for the purpose of informing senior US officials.

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USSR-CHINA: Trip and Editorials

[] Soviet President Brezhnev is emphasizing the need to develop the country's natural resources as he continues his rail trip through Siberia. In speeches over the weekend, he admonished local leaders for not fully exploiting such resources and detailed the shortcomings of local economic performance. Pravda, meanwhile, has published an extensive defense of Moscow's position on the Sino-Soviet border dispute just as Brezhnev's entourage is about to enter the Soviet Far East.

[] In Irkutsk yesterday--about 160 kilometers from the Mongolian border--Brezhnev reminded local leaders that many enterprises were not fulfilling their plans and were not fully realizing the potential of available resources, particularly in the timber and hydroelectric industries. Brezhnev also said the area's low rate of agricultural production could not be condoned even though the Irkutsk region is primarily industrial.

[] In Krasnoyarsk on Saturday, Brezhnev cited a number of important projects ranging from oil refineries to truck trailer plants that were being built "extremely slowly." He warned against complacency, stressing that the responsibility for this poor performance would be borne by government ministries and local leaders.

[] Brezhnev praised a variety of local accomplishments, but it seems clear that the main purpose of his trek through Siberia is to rally a new sense of diligence in the USSR's far-flung industrial outposts.

[] An authoritative unsigned editorial in Pravda on Saturday appears to be a rejoinder to a People's Daily commentary of 26 March that spelled out Peking's position on Sino-Soviet relations and the border dispute. The Chinese article rejected the Soviets' latest proposal to improve ties, contained in a message from the USSR Supreme Soviet to the Chinese National

People's Congress on 24 February. Peking's commentary was especially provocative in its assertion that the USSR did not have the courage to make public China's version of the causes of the current worsening of relations between the two countries.

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[] The *Pravda* editorial attempts to contrast Soviet reasonableness with Chinese intransigence by reviewing the two sides' positions and maneuverings on the border issue since 1969. The editorial indicates nothing new in the Soviet position; it concentrates on rebutting Chinese demands that the USSR first recognize the "disputed areas" and then withdraw its troops as a precondition for serious negotiations.

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[] *Pravda* reaffirms the Soviet position that 19th century Russian-Chinese treaties form the legal basis of the border and should be the basis for negotiations. It points out that a Soviet troop pullback from the areas China has designated as being in dispute would in fact constitute a unilateral withdrawal because those areas are in Soviet territory. Such a pullback, the editorial says, would leave the Soviet population "unprotected" and give the Chinese an opportunity "to develop" those areas. []

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OPEC: US Investments

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[] *//The net flow into the US of official investments by OPEC countries dipped slightly in 1977 as several minor OPEC investors decreased their holdings because of balance-of-payments difficulties. Major OPEC investors, seeking a greater rate of return, have turned increasingly to long-term investments.//*

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[] *//OPEC official investment in the US dipped from \$7.5 billion in 1976 to \$6.6 billion in 1977. Most of the drop in investment flow was due to sales of US assets by minor investors--mainly Ecuador, Nigeria, and Venezuela--beset with balance-of-payments difficulties. OPEC asset holdings in the US totaled \$35.1 billion at the end of the year; Saudi Arabia, Kuwait, the United Arab Emirates, and Qatar remained the largest investors.//*

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[redacted] //In the fourth quarter of 1977, OPEC countries liquidated \$1.6 billion of their short-term US asset holdings, including \$1.5 billion in short-term US Government securities; Iranian and Kuwaiti sales were especially heavy. Short-term bank deposits, sensitive to exchange rate fluctuations, fell \$150 million as the dollar weakened. Reductions had also occurred in the third quarter.//

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[redacted] //Increased purchases of long-term US Government and corporate securities outweighed the drop in OPEC short-term investment, as the major OPEC investors--Saudi Arabia, Kuwait, and the UAE--sought to increase the rate of return on their asset holdings. By the end of 1977, holdings with maturities exceeding one year had risen to 70 percent of the total OPEC portfolio, compared to 15 percent three years earlier.//

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CHINA-EC: First Trade Accord

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[redacted] //China and the European Community sign their first bilateral trade agreement today in Brussels. Initialed last February, the five-year, nonpreferential accord grants China most-favored-nation status and creates a joint China-EC committee to develop relations further.//

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[redacted] //From Peking's point of view, the pact symbolizes Chinese determination to support and cooperate with a strong, united Western Europe that is willing and able to counter the growth of Soviet influence. The Community, for its part, wants recognition by Communist countries and has offered similar agreements to practically all Communist governments. Only China has thus far accepted.//

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[redacted] //Chinese-EC trade is far more important to Peking than to the Nine. While the EC is China's second largest trading partner after Japan, China accounts for less than 1 percent of EC trade. EC countries supply China with a wide variety of modern machinery and equipment, metals, and chemical fertilizers. In return, China provides a broad range of raw materials, foodstuffs, textiles, and other consumer goods.//

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[redacted] //To support its drive for modernization, China will continue to rely on EC countries as important alternatives to Japan for industrial imports and technology. At least four high-level Chinese economic delegations will visit Western Europe this spring.//

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[redacted] //Foreign Trade Minister Li Chiang, after signing the new EC-China trade agreement, will proceed to West Germany to view steel and petrochemical plants and the harbor at Hamburg. In mid-May, a mission to West Germany and France will study metallurgical technology. Delegations will also travel to France, the UK, and other countries. These missions probably

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will be more interested in gathering information than in negotiating purchase contracts, although a Chinese delegation has been in West Germany for several months discussing purchases of coal mining equipment. [REDACTED]

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GHANA: Referendum Disputed

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[REDACTED] //Ghana's officially controlled press is asserting-- in the absence of certified results--that General Acheampong's proposed nonparty, "union" form of government was approved by 54 percent of the electorate in last Thursday's referendum-- far less than the massive "yes" vote he had hoped for. Opposition elements are convinced the voting was rigged and are crying foul. Antigovernment protests have not yet materialized, but very well may.//

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[REDACTED] Fewer than half of the country's 4 million eligible voters apparently turned out. The evidently narrow approval of Acheampong's proposal does not provide him with a strong mandate to proceed with implementing the union government concept, nor is it likely to bring political stability in the months ahead.

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[REDACTED] Acheampong envisions union government as a partnership between civilians and soldiers that will avoid divisive party politics. His opponents see it mainly as an attempt by Acheampong to stay in power as the eventual president of the constitutional government he has promised by July 1979. The opposition--led primarily by the People's Movement for Freedom and Justice, a group headed by prestigious retired General Afrifa--prefers a return to a purely civilian government based on political parties.

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[REDACTED] //Opposition suspicions have been fueled by the disappearance of Ghana's respected civilian election commissioner, the official who must certify the referendum results. He may have gone into hiding after refusing to sanction ballot counting under military supervision.//

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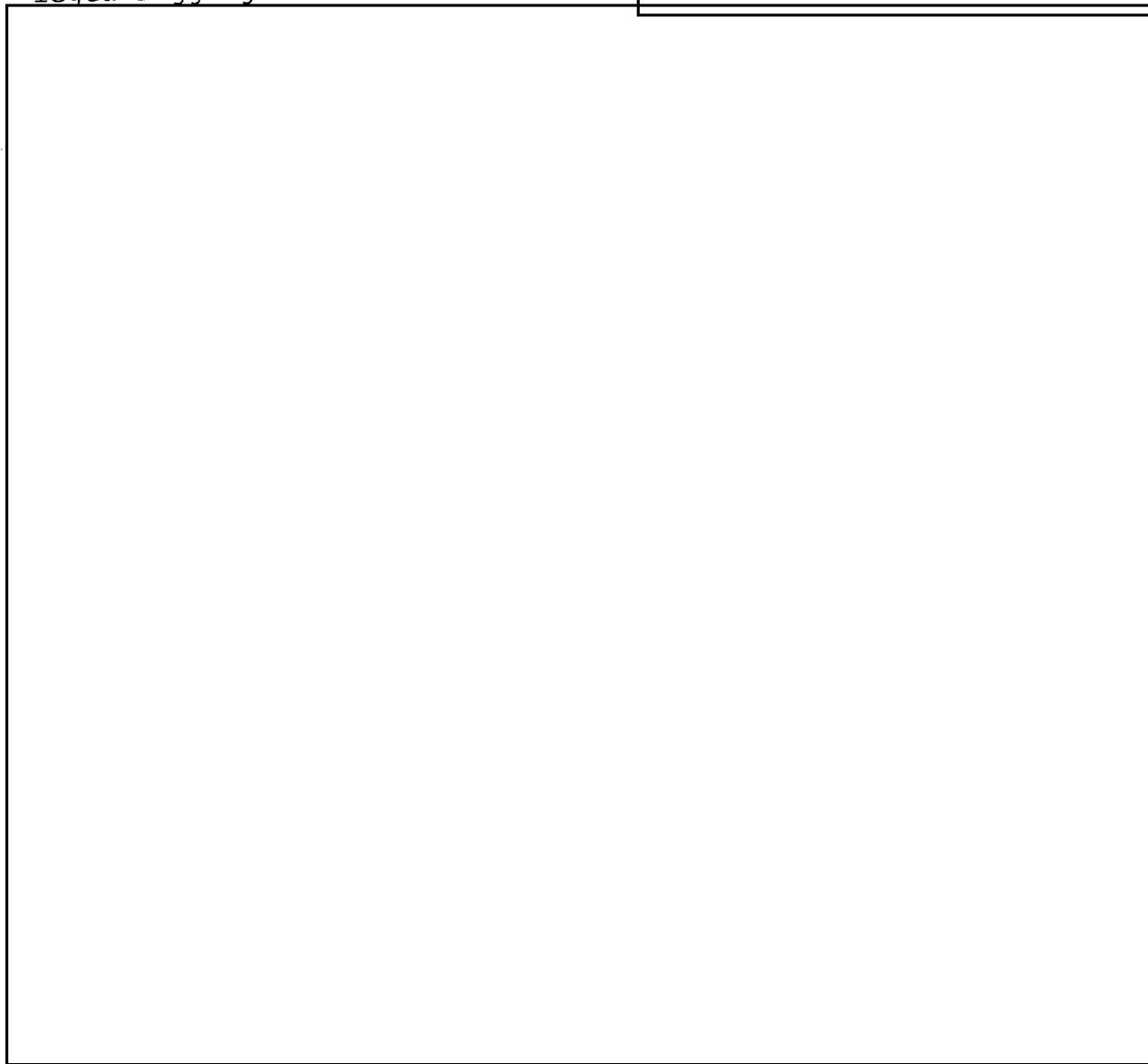
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[redacted] //The military insisted on such supervision after it was discovered that some electoral officials in Accra were stuffing "no" votes in ballot boxes. There are rumors that civil servants may strike today to protest the military's alleged rigging of the referendum.// [redacted]

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USSR: Western Aircraft Engines

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[] The Soviets remain considerably behind the West in the development of high-thrust, fuel-efficient turbofan engines for military and civilian transport aircraft. As a result, their military and civilian transport fleet will probably continue to fall short of matching the range and payload of present-generation US military transports and wide-body civilian transports. Although the Soviets are trying to acquire technology from the West to aid in the development of such engines, they are unlikely to be producing them before 1980--about 10 years behind the US.

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[] The Soviets' IL-86 wide-body transport falls short of the range and payload of similar US aircraft because a high-performance engine has not been developed for it. The new AN-72 short-takeoff-and-landing transport is about a third the size of the comparable US aircraft. It uses the only known Soviet high-bypass turbofan engine, which has about one-fourth the thrust of the engine used on the similar aircraft.

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[] The Soviets, aware of the limitations on their ability to develop high-thrust, high-bypass turbofans, have been attempting for the past five years to acquire the necessary Western technology. They have obtained two electron-beam drilling machines that probably will ultimately allow them to produce effusion-cooled turbine blades. They have nearly completed negotiations for a license to acquire high-temperature

coating technology from the US. The Soviets have also been acquiring Western production facilities for superalloy powders and the equipment necessary to form such powders into engine parts.

25X1 [] Until they are able to produce them, the Soviets probably will attempt to buy a small number of large, high-bypass turbofan engines for the IL-86 wide-body transport, which could possibly also be used as a large military transport. They have resumed negotiations with Rolls Royce for the outright purchase of 25 RB-211 turbofan engines and for a license later to produce the engines in the USSR.

25X1 [] Design and manufacturing knowledge derived from a high-bypass engine used in civil aviation or from licensing could be of some benefit in the development of engines for military aircraft having long-range, long-endurance missions. A licensing agreement for production would result in a much greater technical gain for the Soviets than outright purchase of the engine. []

VENEZUELA: Campaign Begins

25X1 [] *//The campaign leading to the Venezuelan presidential election in December formally began Saturday. Painful economic decisions and a sense that the country's democratic institutions have somehow failed to keep up with the rising expectations of the public are among the more troublesome challenges to be faced by the new president when he is inaugurated in March 1979.//*

25X1 [] *//Of the 13 candidates, only two--the governing Democratic Action party's Luis Pinerua Ordaz and the opposition Social Christian party's Luis Herrera Campins--have a chance of winning. The race will be close, probably with only a few percentage points separating the two. Almost two-thirds of the 6 million voters are not affiliated with any political party and consider themselves independent.//*

25X1 [] *//Pinerua and Campins will concentrate on domestic issues during the campaign. The Social Christians will echo a feeling, which crosses party lines, that too much attention*

has been devoted to foreign affairs rather than to the fulfillment of President Perez' ambitious national development plans. Public attention has also focused on government mismanagement and corruption.//

25X1 [] //The Democratic Action candidate is not expected to benefit greatly from his party's incumbency, although Perez has pledged to support Pinerua's candidacy "within the limits imposed by his constitutional office." Pinerua's relations with the President are strained, and his campaign themes of clean government and rejection of undemocratic practices are an implicit rebuke of Perez.//

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25X1 [] The most troublesome problem is the deteriorating relationship between Perez and the party's founder and titular leader, ex-President Romulo Betancourt.//

25X1 [] //Perez and the party's "old guard," led by Betancourt, have not seen eye to eye on many issues for some time. In addition, Betancourt distrusts Perez' relationship with some businessmen who are said to be corrupt, and has openly criticized other close Perez associates.//

25X1 [] //The Betancourt-Perez feud has both short- and long-term consequences for Democratic Action. Perez, who cannot run for president again for 10 years after his term expires, wants to keep his power base within the party intact and is challenging Betancourt's party leadership. Betancourt, however, shows no sign of stepping aside. The struggle has begun to have a debilitating effect on Pinerua's campaign, already burdened by economic problems and charges of human rights violations growing out of the government's handling of a rural insurgency problem.//

25X1 [] //Perez--and his party--are being blamed for inflation, sporadic shortages of staples, the breakdown of public services, crime, and corruption. []
[]

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[REDACTED]

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[REDACTED] Early opinion polls show Herrera having some effect and indicate that the Social Christians have an even chance of turning the Democratic Action out of office. [REDACTED]

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